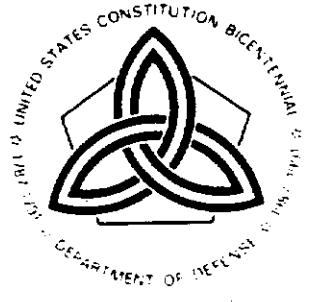


DoD 4000.25-2-M

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
CAMERON STATION
ALEXANDRIA, VIRGINIA 22304-6100



IN REPLY
REFER TO

DLMSO (DLA-LMC)

13 DEC 1992

SUBJECT : **MILSTRAP** Interim Change 92-2, Controlled **Inventory Item**
Physical Inventory Requirement Revision

TO: Commander, U.S. Army Materiel Command
ATTN : **AMCLG-MT**
Commander, Naval Supply Systems Command
ATTN : **SUP** 4112A
Commander, Air Force Logistics Command
ATTN : AFLC (**LCSI-2**)
Commandant of the Marine Corps
ATTN : **LPS-1**
Commandant, U.S. Coast Guard
ATTN : G-ELM-2
Commander, Field Command, Defense Nuclear Agency
ATTN : FCLMM
General Services Administration,
Federal Supply Service
ATTN : FCSI (CM 4, Room 615)
Director, National Security Agency
ATTN : **L111**
Director, Defense Logistics Agency
ATTN : **DLA-OSL**

1. References:

a. DoD 4000 .25-2 -M, 1 May 1987, Military Standard Transaction Reporting and Accounting Procedures (**MILSTRAP**) , as amended.

b. DASD (Logistics) letter, 18 June 1992, SAB.

2. The enclosed change to **MILSTRAP** (reference 1a) publishes the revised procedures to allow for the use of annual random statistical sampling of selected controlled inventory items. This change is authorized by reference 1b and is effectively immediately.

3. Remove pages 7-1 and 7-2 and insert the revised pages. Changes are indicated by bold italics.

DLMSO (DLA-LMC)

PAGE 2

SUBJECT : MILSTRAP Interim Change 92-2, Controlled Inventory Item
Physical Inventory Requirement Revision

4. The point of contact for this subject is Mr. Frank St. Mark,
703-274-4701 (DSN 284-4701).

1 Encl

cc :

DASD (L) SD

USCG (G-ELM-2)

MRSA AMXMD-SM

LMI


JAMES A. JOHNSON
Chief, Logistics Standards

CHAPTER 7

PHYSICAL INVENTORY CONTROL

A. GENERAL

1. This chapter provides procedures, performance objectives, and effectiveness reporting to enhance supply effectiveness by improving the accuracy of inventory control and asset information in the wholesale supply system of the DoD.

2. Basic elements of the physical inventory control program prescribed by this chapter apply to the Military Departments and the Defense Agencies, hereafter referred to as DoD Components, and establish:

a. Uniform procedures, based on existing DoD policy, for maintaining accurate records, conducting physical inventories and location surveys/reconciliations, researching potential inventory discrepancies, and for quality control of work processes affecting inventory accuracy.

b. Management control of all DoD wholesale supply system assets of:

(1) principal items,

(2) package fuels,

(3) secondary items on hand at CONUS and overseas depots as well as other selected distribution system storage sites including contractor-owned and/or contractor-operated facilities when assets are maintained on the DoD wholesale accountable records (excluding loaned materiel which will be accounted for in accordance with chapter 4, section N.), and

(4) ammunition.

c. Comparable measures of performance for cost effective analysis among the various inventory control systems. "

d. Reporting procedures necessary to measure the effectiveness of physical inventory control in the DoD supply system.

3. Exclusions

a. These procedures are not applicable to bulk petroleum, complete ships, aircraft, ballistic missiles, nuclear weapons, and space vehicles; contractor-owned and/or contractor-operated facilities for which the assets are not maintained on the DoD wholesale accountable record; IPE reportable to the DIPEC; National Security Agency/Central Security Service assets; and National Defense Stock Pile assets.

b. Physical inventory control procedures for bulk petroleum are contained in DoD 4140.25-M (reference (r)) .

c. Nuclear weapons for which DoD has custodial responsibility are inventoried in accordance with JCS Pub 6 (reference (s), Volume II, Part 4, Section 5) .

B. POLICY

DoD policy is contained in DoD Instruction 4140.35, (reference (t)).

c. PHYSICAL INVENTORY PROCEDURES

1. The nature of inventory inaccuracies and the cost of counting and reconciliation require that the approach to the taking of physical inventory be more selective than the 100 percent wall-to-wall total item count concept. Available inventory resources must be directed toward those discrepancies, controlled inventory items, and high usage items for which the maximum returns will be derived from the resources which are applied.

2. DoD Components will conduct scheduled inventories on all items for which they are accountable, as follows:

a. Items subject **to physical** inventory not less than once each fiscal year:

(1) Controlled inventory items., (see figure 7-2). The **following controlled inventory items require complete physical inventory and & not qualify for use of a random statistical sampling approach:**

- (a) **Z'Op secret.**
- (b) **Narcotics, drug abuse items, and alcohol.**
- (c) **Category I nonnuclear 'missiles and rockets (semiannually in accordance with DoD 5100. 76-M (reference (old)) .**
- (d) **Precious metals.**
- (e) **Small arms.**
- (f) **Radioactive items.**
- (g) **Inert nuclear ordnance materiel.**
- (h) **Other items that may be designated by OSD or the DoD Component.**

(2) **If** ammunition or **subsistence** is subjected to **complete** inventory, physical inventory and location survey may be conducted concurrently.

(3) **Controlled inventory items not subject to annual complete physical inventory must be subjected to annual random statistical sampling. Acceptable statistical sampling techniques are widely prescribed and may be used so long as every item included in the population has an equal probability of being selected in the sample. The statistical sampling technique must provide reasonable assurance (as a minimum) that the property accountability records are 85 percent accurate (95 percent for ammunition) with a 95 percent level of confidence, and a maximum margin of error of 2 percent. Sample inventories which & not satisfy the above criteria will be subjected to complete physical inventory of the population from which the sample was selected.**

b. Items not otherwise scheduled for a complete inventory **or annual random statistical sampling (subparagraph C. 2. a.)** will be subject to either a random sampling or a selective physical inventory system which includes **all items** as potential candidates for inventory but which predominantly selects those items with the greatest significance for supply support as determined by the Service/Agency.

3. The random sampling technique will be guided by the following criteria: